

CITY OF MCBAIN, MICHIGAN

APRIL 30, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name City of McBain	County Missaukee
Audit Date 4/30/04	Opinion Date 5/20/04	Date Accountant Report Submitted to State: 9/20/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Michigan Department of Treasury Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) Baird, Cotter & Bishop, P.C.			
Street Address 134 W. Harris Street		City Cadillac	State MI
Accountant Signature		ZIP 49601	Date

CITY OF MCBAIN, MICHIGAN
APRIL 30, 2004

TABLE OF CONTENTS

	<u>EXHIBIT</u>	<u>PAGES</u>
Independent Auditors' Report		1
 <u>GENERAL-PURPOSE FINANCIAL STATEMENTS</u>		
Combined Balance Sheet - All Fund Types and Discretely Presented Component Units	1	2-3
Combined Statement of Revenues, Expenditures and Changes In Fund Balances - All Governmental Fund Types and Discretely Presented Component Units	2	4-5
Combined Statement of Revenues, Expenditures and Changes In Fund Balances - Budget and Actual - All Governmental Fund Types	3	6-7
Combined Statement of Revenues, Expenses and Changes In Retained Earnings - All Proprietary Fund Types	4	8
Combined Statement of Cash Flows - All Proprietary Fund Types	5	9
Notes to Financial Statements		10-21
Independent Auditors' Report on Additional Information		22
 <u>FINANCIAL STATEMENTS OF INDIVIDUAL FUNDS</u>		
	<u>STATEMENT</u>	
<u>General Fund</u>		
Comparative Balance Sheet	A-1	23
Statement of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual	A-2	24-25
Analysis of Revenues - Budget and Actual	A-3	26
Analysis of Expenditures - Budget and Actual	A-4	27-29
 <u>Special Revenue Funds</u>		
Combining Balance Sheet	B-1	30-31
Combining Statement of Revenues, Expenditures and Changes In Fund Balances	B-2	32-33

CITY OF MCBAIN, MICHIGAN
APRIL 30, 2004

TABLE OF CONTENTS

	<u>STATEMENT</u>	<u>PAGES</u>
<u>Special Revenue Funds - Continued</u>		
<u>Major Street Fund</u>		
Comparative Balance Sheet	B-3	34
Statement of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual	B-4	35
<u>Local Street Fund</u>		
Comparative Balance Sheet	B-5	36
Statement of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual	B-6	37
<u>Cemetery Fund</u>		
Comparative Balance Sheet	B-7	38
Statement of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual	B-8	39
<u>Fire Fund</u>		
Comparative Balance Sheet	B-9	40
Statement of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual	B-10	41-42
<u>Capital Projects Funds</u>		
Combining Balance Sheet	C-1	43
Combining Statement of Revenues, Expenditures and Changes In Fund Balances	C-2	44
<u>Land Development Fund</u>		
Comparative Balance Sheet	C-3	45
Statement of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual	C-4	46
<u>Capital Outlay Equipment Fund</u>		
Comparative Balance Sheet	C-5	47
Statement of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual	C-6	48

CITY OF MCBAIN, MICHIGAN
APRIL 30, 2004

TABLE OF CONTENTS

	<u>STATEMENT</u>	<u>PAGES</u>
<u>Enterprise Funds</u>		
Combining Balance Sheet	D-1	49-50
Combining Statement of Revenues, Expenses and Changes In Retained Earnings	D-2	51-52
Combining Statement of Cash Flows	D-3	53
<u>Water Fund</u>		
Comparative Balance Sheet	D-4	54
Comparative Statement of Revenues, Expenses and Changes In Retained Earnings	D-5	55
Comparative Statement of Cash Flows	D-6	56
<u>Sewer Fund</u>		
Comparative Balance Sheet	D-7	57-58
Comparative Statement of Revenues, Expenses and Changes In Retained Earnings	D-8	59
Comparative Statement of Cash Flows	D-9	60
<u>Agency Fund Type</u>		
<u>Tax Collection Fund</u>		
Comparative Balance Sheet	E-1	61
Statement of Changes In Assets and Liabilities	E-2	62
<u>Component Units</u>		
Combining Balance Sheet	F-1	63
Combining Statement of Revenues, Expenditures and Changes In Fund Balances	F-2	64
<u>Downtown Development Authority Construction Fund</u>		
Comparative Balance Sheet	F-3	65
Statement of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual	F-4	66
<u>Tax Increment Finance Authority</u>		
Comparative Balance Sheet	F-5	67
Statement of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual	F-6	68-69

CITY OF MCBAIN, MICHIGAN
APRIL 30, 2004

TABLE OF CONTENTS

OTHER INFORMATION

	<u>SCHEDULE</u>	<u>PAGES</u>
Missaukee County Sanitary Sewer Collection, Treatment and Disposal System (McBain System No. 1) Bonds Payable	1	70
Statement of 2003 Tax Roll	2	71
Statement of 2003 Industrial Facilities Tax Roll - Post 1993	3	72
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements in Accordance with <i>Government Auditing Standards</i>		73-74
Letter of Reportable Conditions		75-76

M. WAYNE BEATTIE, C.P.A.
1902 - 1990
JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

May 20, 2004

INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council
City of McBain, Michigan

We have audited the accompanying general-purpose financial statements of the City of McBain, Michigan, as of April 30, 2004, and for the year then ended, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City of McBain, Michigan's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general-purpose financial statements referred to above, do not include the general fixed assets account group, which should be included in order to conform with accounting principles generally accepted in the United States of America. The amount that should be recorded in the general fixed assets account group is not known.

In our opinion, except that the omission of the financial statement described above results in an incomplete presentation, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of McBain, Michigan, as of April 30, 2004, and the results of its operations and the cash flows of its proprietary fund types for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, we have also issued a report dated May 20, 2004, on our consideration of the City of McBain's internal control structure and compliance with laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States and should be read in conjunction with this report in considering the results of our audit.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter and Bishop, P.C.

CITY OF MCBAIN, MICHIGAN

COMBINED BALANCE SHEET
ALL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS

APRIL 30, 2004

	GOVERNMENTAL FUND TYPES				GENERAL				TOTALS	
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	PROPRIETARY FUND TYPE ENTERPRISE	FIDUCIARY FUND TYPE AGENCY	LONG-TERM DEBT ACCOUNT GROUP			(MEMORANDUM ONLY)	TOTALS (MEMORANDUM ONLY)
ASSETS AND OTHER DEBITS										
ASSETS										
Cash	\$ 172,479	\$ 101,791	\$ 93,201	\$ 235,510	\$ 29,163	\$ 0	\$ 0	\$ 632,144	\$ 379,388	\$ 1,011,532
Receivables (Net, Where Applicable, of Allowance for Uncollectibles)										
Taxes	8,566	0	0	929	0	0	0	9,495	28,000	37,495
Accounts	410	0	0	606	0	0	0	1,016	0	1,016
Accrued Interest	0	0	0	0	0	0	0	0	30	30
Loans	0	0	0	0	0	0	0	0	757,668	757,668
Due from Component Units	0	0	0	0	763	0	0	763	0	763
Due from Other Funds	10,556	150	0	608	0	0	0	11,314	2,120	13,434
Due from Primary Governments	0	0	0	0	0	0	0	0	18,963	18,963
Due from Other Governments	6,331	10,160	0	0	0	0	0	16,491	0	16,491
Restricted Assets										
Cash	0	0	0	32,564	0	0	0	32,564	0	32,564
Property Assessments Receivable	0	0	0	5,531	0	0	0	5,531	0	5,531
Fixed Assets										
Net of Accumulated Depreciation	0	0	0	1,479,949	0	0	0	1,479,949	0	1,479,949
OTHER DEBITS										
Amount to be provided for										
Retirement of General										
Long -Term Debt	0	0	0	0	0	0	0	123,956	44,448	168,404
TOTAL ASSETS AND OTHER DEBITS	\$ 198,342	112,101	\$ 93,201	\$ 1,755,697	\$ 29,926	\$ 123,956	\$ 2,313,223	\$ 1,230,617	\$ 3,543,840	

The accompanying notes are an integral part of these financial statements.

	GOVERNMENTAL FUND TYPES					PROPRIETARY		FIDUCIARY		GENERAL		TOTALS						
	GENERAL	SPECIAL	REVENUE	CAPITAL	PROJECTS	FUND TYPE	ENTERPRISE	FUND TYPE	AGENCY	DEBT ACCOUNT	LONG-TERM	(MEMORANDUM ONLY)						
												COMPONENT	REPORTING					
														UNITS	ENTITY			
LIABILITIES AND FUND EQUITY																		
LIABILITIES																		
Accounts Payable	\$	4,808	\$	926	\$	0	\$	2,003	\$	32	\$	0	\$	7,769				
Due to Other Governments		0		0		0		0		6,002		0		6,002				
Due to Primary Government		0		0		0		0		0		0		0				
Due to Other Funds		0		6,348		0		0		4,966		763		763				
Due to Component Units		37		0		0		0		11,314		2,120		13,434				
Deferred Revenue		352		0		0		0		18,926		0		18,963				
Payable from Restricted Assets				0		0		0		0		776,291		776,643				
Accrued Interest		0		0		0		0		0		0		0				
Bonds Payable - Current		0		0		308		0		0		0		308				
Bonds Payable		0		0		10,000		0		0		0		10,000				
Note Payable		0		0		64,000		0		0		0		64,000				
		0		0		0		0		123,956		44,448		168,404				
Total Liabilities	\$	5,197	\$	7,274	\$	0	\$	76,311	\$	29,926	\$	123,956	\$	823,622	\$	1,066,286		
FUND EQUITY																		
Contributed Capital	\$	0	\$	0	\$	0	\$	1,189,452	\$	0	\$	0	\$	1,189,452				
Retained Earnings	\$	0	\$	0	\$	0	\$	489,934	\$	0	\$	0	\$	489,934	\$	489,934		
Fund Balance																		
Unreserved																		
Designated for City Hall																		
Equipment		0		0		25,643		0		0		0		25,643				
Undesignated		193,145		104,827		67,558		0		0		0		365,530				
														71,900				
Total Retained														335,095				
Earnings/Fund Balance	\$	193,145	\$	104,827	\$	93,201	\$	489,934	\$	0	\$	0	\$	881,107	\$	1,288,102		
Total Fund Equity	\$	193,145	\$	104,827	\$	93,201	\$	1,679,386	\$	0	\$	0	\$	2,070,559	\$	406,995		
TOTAL LIABILITIES AND FUND EQUITY																		
	\$	198,342	\$	112,101	\$	93,201	\$	1,755,697	\$	29,926	\$	123,956	\$	2,313,223	\$	1,230,617	\$	3,543,840

CITY OF MCBAIN, MICHIGAN

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS

YEAR ENDED APRIL 30, 2004

				TOTALS (MEMORANDUM ONLY)		TOTALS (MEMORANDUM ONLY)	
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	PRIMARY GOVERNMENT	COMPONENT UNITS	REPORTING ENTITY	
<u>REVENUES</u>							
Taxes	\$ 107,005	\$ 0	\$ 0	\$ 107,005	\$ 287,352	\$ 394,357	
State Grants	54,503	62,235	0	116,738	0	116,738	
Local Grants	0	180,939	0	180,939	0	180,939	
Charges for Services	130,710	1,650	0	132,360	0	132,360	
Interest and Rents	7,971	502	589	9,062	2,104	11,166	
Other Revenue	2,868	51,525	0	54,393	71,564	125,957	
Total Revenues	\$ 303,057	\$ 296,851	\$ 589	\$ 600,497	\$ 361,020	\$ 961,517	
<u>EXPENDITURES</u>							
Legislative	\$ 6,000	\$ 0	\$ 0	\$ 6,000	\$ 0	\$ 6,000	
General Government							
Executive	6,617	0	0	6,617	0	6,617	
Elections	638	0	0	638	0	638	
Independent Auditing	2,300	0	0	2,300	0	2,300	
Attorney	2,417	0	0	2,417	0	2,417	
Clerk	9,719	0	0	9,719	0	9,719	
Treasurer	12,902	0	0	12,902	0	12,902	
City Hall and Grounds	101,594	0	0	101,594	0	101,594	
Cemetery	0	9,366	0	9,366	0	9,366	
Public Safety	0	358,382	0	358,382	0	358,382	

The accompanying notes are an integral part of these financial statements.

	TOTALS (MEMORANDUM ONLY)			TOTALS (MEMORANDUM ONLY)		
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	PRIMARY GOVERNMENT	COMPONENT UNITS	REPORTING ENTITY
Public Works	41,595	102,992	0	144,587	0	144,587
Economic Development	0	0	250	250	488,798	489,048
Planning	7,567	0	0	7,567	0	7,567
Recreation and Cultural	4,946	0	0	4,946	0	4,946
Other Functions	64,190	0	0	64,190	0	64,190
Debt Service	0	156,939	0	156,939	12,475	169,414
Total Expenditures	\$ 260,485	\$ 627,679	\$ 250	\$ 888,414	\$ 501,273	\$ 1,389,687
Excess (Deficiency) of Revenues Over Expenditures	\$ 42,572	\$ (330,828)	\$ 339	\$ (287,917)	\$ (140,253)	\$ (428,170)
<u>OTHER FINANCING SOURCES (USES)</u>						
Operating Transfers In	\$ 0	\$ 33,313	\$ 10,000	\$ 43,313	\$ 0	\$ 43,313
Operating Transfers In - Component Unit	0	1,698	0	1,698	0	1,698
Operating Transfers Out	(43,313)	0	0	(43,313)	0	(43,313)
Operating Transfers Out - Primary Government	0	0	0	0	(1,698)	(1,698)
Loan Proceeds	0	275,815	0	275,815	0	275,815
Residual Equity Transfer Out	(20,000)	0	0	(20,000)	0	(20,000)
Total Other Financing Sources (Uses)	\$ (63,313)	\$ 310,826	\$ 10,000	\$ 257,513	\$ (1,698)	\$ 255,815
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	\$ (20,741)	\$ (20,002)	\$ 10,339	\$ (30,404)	\$ (141,951)	\$ (172,355)
<u>FUND BALANCE - Beginning of Year</u>	213,886	124,829	82,862	421,577	548,946	970,523
<u>FUND BALANCE - End of Year</u>	\$ 193,145	\$ 104,827	\$ 93,201	\$ 391,173	\$ 406,995	\$ 798,168

The accompanying notes are an integral part of these financial statements.

CITY OF MCBAIN, MICHIGAN

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL
ALL GOVERNMENTAL FUND TYPES

YEAR ENDED APRIL 30, 2004

	GENERAL FUND			SPECIAL REVENUE FUND TYPES			CAPITAL PROJECTS FUND TYPES		
	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES									
Taxes	\$ 98,000	\$ 107,005	\$ 9,005	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
State Grants	57,000	54,503	(2,497)	50,000	62,235	12,235	0	0	0
Local Grants	0	0	0	24,000	180,939	156,939	0	0	0
Charges for Services	75,000	130,710	55,710	200	1,650	1,450	0	0	0
Interest	8,351	7,971	(380)	600	502	(98)	750	589	(161)
Other Revenue	79,560	2,868	(76,692)	1,745	51,525	49,780	0	0	0
Total Revenues	\$ 317,911	\$ 303,057	\$ (14,854)	\$ 76,545	\$ 296,851	\$ 220,306	\$ 750	\$ 589	\$ (161)
EXPENDITURES									
Legislative	\$ 8,070	\$ 6,000	\$ 2,070	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
General Government									
Executive	6,617	6,617	0	0	0	0	0	0	0
Elections	2,000	638	1,362	0	0	0	0	0	0
Independent Auditing	3,100	2,300	800	0	0	0	200	0	200
Attorney	8,000	2,417	5,583	0	0	0	0	0	0
Clerk	11,800	9,719	2,081	0	0	0	0	0	0
Board of Review	1,000	0	1,000	0	0	0	0	0	0
Treasurer	10,400	12,902	(2,502)	0	0	0	0	0	0
City Hall and Grounds	115,700	101,594	14,106	0	0	0	0	0	0
Cemetery	0	0	0	22,975	9,366	13,609	0	0	0
Public Safety	15,000	0	15,000	75,564	358,382	(282,818)	0	0	0
Public Works	49,000	41,595	7,405	88,200	102,992	(14,792)	0	0	0
Economic Development	0	0	0	0	0	0	20,350	250	20,100
Planning	13,295	7,567	5,728	0	0	0	0	0	0
Recreation and Cultural	5,400	4,946	454	0	0	0	0	0	0
Other Functions	127,960	64,190	63,770	0	0	0	0	0	0
Debt Service	0	0	0	0	156,939	(156,939)	0	0	0
Total Expenditures	\$ 377,342	\$ 260,485	\$ 116,857	\$ 186,739	\$ 470,740	\$ (284,001)	\$ 20,550	\$ 250	\$ 20,300

The accompanying notes are an integral part of these financial statements.

Excess (Deficiency) of Revenues
Over Expenditures

OTHER FINANCING SOURCES (USES)

Operating Transfers In
Operating Transfers In - Component Unit
Operating Transfers Out
Loan Proceeds
Residual Equity Transfer Out

Total Other Financing Sources (Uses)

Excess (Deficiency) of Revenues
Over Expenditures and Other
Sources (Uses)

FUND BALANCE - Beginning of Year

FUND BALANCE - End of Year

	GENERAL FUND			SPECIAL REVENUE FUND TYPES			CAPITAL PROJECTS FUND TYPES		
	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
\$ (59,431)	\$ 42,572	\$ 102,003	\$ (110,194)	\$ (173,889)	\$ (63,695)	\$ (19,800)	\$ 339	\$ 20,139	
\$	0	0	0	40,000	33,313	(6,687)	20,000	10,000	(10,000)
0	0	0	0	0	1,698	1,698	0	0	0
(33,000)	(43,313)	(10,313)	(20,000)	(20,000)	0	20,000	0	0	0
0	0	0	0	0	275,815	275,815	0	0	0
(20,000)	(20,000)	0	0	0	0	0	0	0	0
\$ (53,000)	\$ (63,313)	\$ (10,313)	\$ 20,000	\$ 310,826	\$ 290,826	\$ 20,000	\$ 10,000	\$ (10,000)	
\$ (112,431)	\$ (20,741)	\$ 91,690	\$ (90,194)	\$ 136,937	\$ 227,131	\$ 200	\$ 10,339	\$ 10,139	
163,288	227,180	63,892	121,051	124,829	3,778	77,652	82,862	5,210	
\$ 50,857	\$ 206,439	\$ 155,582	\$ 30,857	\$ 261,766	\$ 230,909	\$ 77,852	\$ 93,201	\$ 15,349	

CITY OF MCBAIN, MICHIGANCOMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPESYEAR ENDED APRIL 30, 2004OPERATING REVENUES

Charges for Services	\$ 60,268
Miscellaneous	2,146
Total Operating Revenues	<u>\$ 62,414</u>

OPERATING EXPENSES

Clerk's Salary	\$ 4,000
Salaries and Wages	6,000
Office Supplies and Expense	517
Collection Fees	150
Audit Fees	1,500
Public Utilities	10,092
Repairs and Maintenance	29,000
Depreciation	81,283
Miscellaneous	214
Total Operating Expenses	<u>\$ 132,756</u>
Operating Income (Loss)	<u>\$ (70,342)</u>

NONOPERATING REVENUES AND (EXPENSES)

Current Property Tax Levy	\$ 10,395
Sale of Hay	3,803
Interest Income	2,696
Interest Expense	(4,158)
Wellhead Protection Grant	2,167
Wellhead Protection Expenses	(1,237)
Total Nonoperating Revenues and (Expenses)	<u>\$ 13,666</u>
Net Income (Loss)	<u>\$ (56,676)</u>

Depreciation on Fixed Assets Acquired by Grants and Shared Revenues	
Externally Restricted for Capital Acquisitions and Construction	
that Reduces Contributed Capital	69,316
Residual Equity Transfers In - General Fund	20,000
Increase (Decrease) in Retained Earnings	<u>\$ 32,640</u>

RETAINED EARNINGS - Beginning of Year457,294RETAINED EARNINGS - End of Year\$ 489,934

The accompanying notes are an integral part of these financial statements.

CITY OF MCBAIN, MICHIGAN

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES

YEAR ENDED APRIL 30, 2004

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows from Operating Activities:

Operating Income (Loss)	\$ (70,342)
Adjustments to Reconcile Operating Income to	
Net Cash Provided by Operating Activities:	
Depreciation	81,283
(Increase) Decrease in Current Assets	
Accounts Receivable	(610)
Increase (Decrease) in Current Liabilities	
Accounts Payable	654
Net Cash Provided (Used) by Operating Activities	\$ 10,985

Cash Flows from Noncapital Financing Activities:

Property Taxes Collected	\$ 10,395
Hay Sale	3,803
Residual Equity Transfer In - General Fund	20,000
Wellhead Protection Grant	2,167
Wellhead Protection Expenses	(1,237)
Net Cash Flows Provided by Noncapital Financing Activities	\$ 35,128

Cash Flows from Capital and Related Financing Activities:

Principal Paid on Revenue Bond Maturities	\$ (10,000)
Interest on Revenue Bonds	(4,158)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	\$ (14,158)

Cash Flows from Investing Activities:

Interest on Investments	\$ 2,696
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 34,651

CASH AND CASH EQUIVALENTS - Beginning of Year

233,423

CASH AND CASH EQUIVALENTS - End of Year

\$ 268,074

Interest Paid for the Year

\$ 4,200

The accompanying notes are an integral part of these financial statements.

CITY OF MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of McBain was incorporated under the laws of the State of Michigan and operates under an elected Mayor-Council form of government. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of McBain (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

COMPONENT UNITS

In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Blended Component Units - The Fire Department of McBain, Michigan, an entity legally separate from the City, is governed by a board appointed by the City council. For financial reporting purposes, the Fire Department is reported as if it were part of the City's operations because its purpose is to provide fire protection to the citizens of the City.

Discretely Presented Component Units - The component units' columns in the combined financial statements include the financial data of the City's two other component units. These units are reported in a separate column to emphasize that they are legally separate from the City.

Downtown Development Authority - The members of the governing board of the Downtown Development Authority are appointed by the McBain City council. The Authority's operational and capital budgets and bonded debt must be approved by the City council.

Tax Increment Finance Authority - The members of the governing board of the Tax Increment Finance Authority are appointed by the McBain City council. The Authority's operational and capital budgets and bonded debt must be approved by the City council.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the City are organized on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

CITY OF MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2004

The City has the following fund types and account group:

GOVERNMENTAL FUNDS are used to account for the City's general government activities. Governmental fund types use the flow of financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes and interest are susceptible to accrual. Gasoline and sales and use taxes collected and held by the state at year-end on behalf of the City are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Governmental funds include the following fund types:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Special Revenue Funds account for revenue sources that are legally restricted to expenditures for specified purposes.

The Capital Projects Funds account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

PROPRIETARY FUNDS are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The government applies all applicable FASB pronouncements issued through November 30, 1989, in accounting and reporting for its proprietary operations. Proprietary funds include the following fund types:

Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

CITY OF MCBAIN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2004

FIDUCIARY FUNDS account for assets held by the City in a trustee capacity or as an agent on behalf of others.

ACCOUNT GROUP

The General Long-Term Debt Account Group is used to account for general long-term debt and certain other liabilities that are not specific liabilities of proprietary or trust funds.

C. Assets, Liabilities and Equity

1. Deposits and Investments

- (I) The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.
- (II) The City of McBain is limited to investments authorized by Act 20 of 1943, as amended, and may invest in the following:
 - (a) In bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
 - (b) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (III).
 - (c) In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
 - (d) In repurchase agreements consisting of instruments listed in subdivision (a).
 - (e) In bankers' acceptances of United States banks.
 - (f) In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.

CITY OF MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2004

- (g) Mutual funds registered under the Investment Company Act of 1940 Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
 - (i) The purchase of securities on a when-issued or delayed delivery basis.
 - (ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
 - (iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- (h) In obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- (i) In investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.11 to 129.118.
- (j) In the investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.
- (III) A public corporation that invests its funds under subsection (II) shall not deposit or invest the funds in a financial institution that is not eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.
- (IV) Assets acceptable for pledging to secure deposits of public funds are limited to assets authorized for direct investment under subsection (II).
- (V) As used in this section, "financial institution" means a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this state under the laws of this state or the United States.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

CITY OF MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2004

3. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed. The City bills and collects its own property taxes and also taxes for the County and School Districts. Collections of the county and school taxes and remittance of them to the taxing units are accounted for in the Current Tax Collection Fund. City property tax revenues are recognized when levied to the extent that they result in current receivables. Amounts which are not expected to be collected within sixty days are treated as deferred revenues. The City levied 12.4517 mills on taxable value of \$20,410,447. This raised taxes of \$254,142. However, the Tax Increment Finance Authority (TIFA) "captured" \$133,820 and the Downtown Development Authority (DDA) "captured" \$25,404 leaving only \$94,918 available for the General Fund. The Sewer Fund levied 1.5 mills on taxable valuation of \$15,376,647. This raised taxes of \$23,065. However, TIFA "captured" \$10,116 and the DDA "captured" \$2,554 leaving only \$10,395 available for the Sewer Fund.

4. Inventories

The City does not maintain any significant inventories.

5. Restricted Assets

Portions of the City's Sewer Fund revenues that are set aside for the repayment of bonds are classified as restricted assets on the balance sheet because their use is limited by bond and/or revenue ordinances.

6. Fixed Assets

Fixed assets used in governmental fund types (general fixed assets) should be accounted for in the General Fixed Assets Account Group at cost or estimated historical cost if purchased or constructed. The City does not maintain a General Fixed Assets Account Group.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized in the proprietary funds.

Property, plant and equipment in the proprietary funds of the government are recorded at cost. Property, plant and equipment donated to these proprietary fund type operations are recorded at their estimated fair value at the date of donation.

Major outlays for capital assets and improvements are capitalized in the proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

CITY OF MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2004

Property, plant and equipment are depreciated in the proprietary funds of the government using the straight-line method over the following estimated useful lives:

Buildings and Structures	33-50 Years
Wells and Pumps	20 Years
Equipment	7-20 Years

7. Compensated Absences

The City has no accumulated unpaid vacation, sick pay, or other employee benefits.

8. Long-Term Obligations

The City reports long-term debt of governmental funds at face value in the general long-term debt account group. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as an other financing source net of applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. For proprietary fund types, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges.

9. Fund Equity

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Reservations of retained earnings are limited to outside third-party restrictions. Designations of fund balance represent tentative management plans that are subject to change. The proprietary fund's contributed capital represents equity acquired through capital grants and capital contributions from developers, customers or other funds.

10. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2004

11. Memorandum Only - Total Columns

Total columns on the general-purpose financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations, or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

12. Comparative Data/Reclassifications

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the government's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 30, the City Clerk submits to the City Council a proposed operating budget for the fiscal year commencing the following May 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to April 30, the budget is legally enacted through passage of an ordinance.
4. All transfers of budget amounts between departments within any fund and any revisions that alter the total expenditures of any fund must be approved by the City Council. General Fund expenditures may not legally exceed appropriations at the major function level. Expenditures in all other funds may not exceed appropriations at the total fund level.
5. Formal budgetary integration is employed as a management control device during the year for all governmental fund types.
6. Budgets for the General, Special Revenue Funds and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the City Council from time to time throughout the year.

CITY OF MCBAIN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2004

7. Budget appropriations lapse at the end of the fiscal year for all funds.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City of McBain because, at present, it is not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

B. Excess of Expenditures Over Appropriations

For the year ended April 30, 2004, expenditures of \$69,398 exceeded appropriations of \$38,550 in the Local Street Fund by \$30,848. Expenditures of \$515,321 exceeded appropriations of \$75,564 in the Fire Fund by \$436,757. These overexpenditures were funded by available operating transfers and loan proceeds.

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The City's deposits are owned by several of the City's funds. At year-end, the carrying amount of the City's deposits was \$664,708 and the bank balance was \$674,899 of which \$326,243 was covered by federal depository insurance and \$348,657 was uninsured and uncollateralized. All deposits and investments are in Chemical Bank West.

At year-end, the carrying amount of the component units' deposits was \$379,388 and the bank balance was \$411,112 of which \$293,419 was covered by federal depository insurance and \$117,693 was uninsured and uncollateralized. All deposits and investments are in Chemical Bank West.

B. Interfund Receivables and Payables

Individual fund interfund receivable and payable balances at April 30, 2004, were:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
Due to/from Other Funds		
General Fund	\$ 10,556	\$ 0
Major Street Fund	150	0
Local Street Fund	0	6,348
Sewer Fund	608	0
Tax Collection Fund	0	4,966
Downtown Development Authority	2,120	0
Tax Increment Finance Authority	0	2,120
	<hr/>	<hr/>
	\$ 13,434	\$ 13,434

CITY OF MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2004

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
Due to/from Primary Government/Component Units		
General Fund	\$ 0	\$ 37
Tax Collection Fund	763	18,926
Downtown Development Authority	37	763
Tax Increment Finance Authority	18,926	0
	<u>\$ 19,726</u>	<u>\$ 19,726</u>

C. Due from Other Governments

The \$16,491 due from other governments represents receivables from the State of Michigan for various state revenue sharing payments received within sixty days of the balance sheet date.

D. Long-Term Debt

The following is a summary of the long-term debt transactions of the City for the year ended April 30, 2004:

	PRIMARY GOVERNMENT SPECIAL ASSESSMENT BONDS	EQUIPMENT NOTE PAYABLE	COMPONENT UNIT DOWNTOWN DEVELOPMENT AUTHORITY INSTALLMENT PURCHASE AGREEMENT	TOTAL REPORTING ENTITY
Debt Payable at May 1, 2003	\$ 84,000	\$ 0	\$ 54,290	\$ 138,290
Debt Incurred	0	275,815	0	275,815
Debt Retired	(10,000)	(151,859)	(9,842)	(171,701)
Debt Payable at April 30, 2004	<u>\$ 74,000</u>	<u>\$ 123,956</u>	<u>\$ 44,448</u>	<u>\$ 242,404</u>

CITY OF MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2004

Debt payable at April 30, 2004, is comprised of the following individual issues:

PRIMARY GOVERNMENT
BONDS PAYABLE

Special Assessment

\$340,000 Missaukee County Sanitary Sewer Collection, Treatment and Disposal System (McBain System No. 1) bonds due in annual installments of \$5,000 to \$13,000 through April 1, 2011; interest at 5.0% due April 1, and October 1, of each year, this debt is reported in the Sewer Fund and is serviced partially by collections of special assessments and partially from tax revenues of the Sewer Fund.

\$ 74,000

Equipment Note Payable

\$275,815 note repayable in annual installments of \$60,300 including interest of 3.04%, due on May 30, of each year through 2008. Secured by a fire truck.

Payments of \$156,939, including interest have already been made on this loan.

123,956

Downtown Development Authority

Installment Purchase Agreement payable in annual installments of \$12,475 including interest at 4.85% due April 1 of each year through April 1, 2008

44,448

Annual requirements to amortize all debt outstanding as of April 30, 2004, including interest payments of \$25,871 are as follows:

<u>YEAR ENDING</u> <u>APRIL 30,</u>	<u>EQUIPMENT</u> <u>NOTE</u>	<u>SPECIAL</u> <u>ASSESSMENT</u> <u>BONDS</u>	<u>COMPONENT</u> <u>UNITS</u>	<u>TOTAL</u> <u>REPORTING</u> <u>ENTITY</u>
2005	\$ 0	\$ 13,700	\$ 12,475	\$ 26,175
2006	60,300	14,200	12,475	86,975
2007	60,300	13,650	12,475	86,425
2008	9,375	14,100	12,575	36,050
2009	0	13,500	0	13,500
2010-2011	0	19,150	0	19,150
	<u>\$ 129,975</u>	<u>\$ 88,300</u>	<u>\$ 50,000</u>	<u>\$ 268,275</u>

CITY OF MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2004

NOTE 4 - OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; workers' compensation; and natural disasters for which the City carries commercial insurance.

B. Segment Information - Enterprise Funds

The City maintains two enterprise funds. The Water Fund and Sanitary Sewer System Fund account for the provision of basic utility services for all citizens. Selected segment information for the year ended April 30, 2004, is as follows:

	WATER FUND	SANITARY SEWER SYSTEM FUND	TOTAL
Operating Revenues	\$ 31,137	\$ 31,277	\$ 62,414
Depreciation	42,400	38,883	81,283
Operating Income (Loss)	(38,437)	(31,905)	(70,342)
Nonoperating Income (Expense)	1,858	11,808	13,666
Net Income (Loss)	(36,579)	(20,097)	(56,676)
Fixed Asset Additions	0	0	0
Net Working Capital	110,471	125,179	236,650
Total Assets	516,713	1,238,984	1,755,697
Bonds Payable	0	74,000	74,000
Total Equity	515,796	1,163,590	1,679,386

C. Retirement Benefits

Retirement benefits are provided to full-time City employees through contributions to individual retirement accounts. Individual retirement account balances become the property of the employee immediately. Therefore, there are no plan assets or liabilities which would be included as part of the City reporting entity.

CITY OF MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2004

D. Interest Income and Expense

For the year ended April 30, 2004, total interest income and expense were as follows:

Interest Income	- Primary Government	\$	11,758
	- Component Units		<u>2,104</u>
Interest Income	- Reporting Entity	\$	<u>13,862</u>
Interest Expense	- Primary Government	\$	9,238
	- Component Units		<u>2,633</u>
Interest Expense	- Reporting Entity	\$	<u>11,871</u>

E. Operating and Residual Transfers In and Out

	TRANSFERS	TRANSFERS
	IN	OUT
Exhibit 2	\$ 45,011	\$ 65,011
Exhibit 4	20,000	0
	<u>\$ 65,011</u>	<u>\$ 65,011</u>

F. Restricted Assets

Restricted assets consist of cash of \$32,564 and Property Assessments Receivable of \$5,531 that can only be used for servicing the requirements of the Sewer Bonds Payable.

G Depreciation on Contributed Assets

Most of the depreciable assets of the Enterprise Funds were purchased with funds which were contributed by the Federal and State governments and the City of McBain. Because of this, the depreciation on these assets is treated as a reduction of contributed equity instead of charging it to retained earnings when net income is closed out each year. Depreciation on these assets was \$69,316 for the year ended April 30, 2004.

134 WEST HARRIS STREET
CADILLAC, MICHIGAN 49601
231-775-9789
FAX: 231-775-9749

M. WAYNE BEATTIE, C.P.A.
1902 - 1990
JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

Baird, Cotter and Bishop, P.C.

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS

May 20, 2004

INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

To the Mayor and City Council
City of McBain, Michigan

Our audit was conducted for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements of the City of McBain. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general-purpose financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

CITY OF MCBAIN, MICHIGAN
GENERAL FUND
COMPARATIVE BALANCE SHEET
APRIL 30,

	<u>ASSETS</u>	<u>2004</u>	<u>2003</u>
Cash		\$ 172,479	\$ 205,973
Receivables			
Taxes		8,566	1,093
Accounts		410	544
Due from Other Funds			
Local Street Fund		6,198	6,198
Current Tax Collection Fund		4,358	619
Due from Other Governments		6,331	7,796
		<u>6,331</u>	<u>7,796</u>
TOTAL ASSETS		<u>\$ 198,342</u>	<u>\$ 222,223</u>
	<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>			
Accounts Payable		\$ 4,808	\$ 4,509
Accrued Expenses		0	2,698
Deferred Revenue		352	1,093
Due to Component Units		37	37
		<u>37</u>	<u>37</u>
TOTAL LIABILITIES		\$ 5,197	\$ 8,337
<u>FUND BALANCE</u>			
Unreserved		193,145	213,886
		<u>193,145</u>	<u>213,886</u>
TOTAL LIABILITIES AND FUND BALANCE		<u>\$ 198,342</u>	<u>\$ 222,223</u>

CITY OF MCBAIN, MICHIGAN

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2004
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED APRIL 30, 2003

	2004		2003
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
Taxes	\$ 98,000	\$ 107,005	\$ 108,500
State Grants	57,000	54,503	57,999
Charges for Services	75,000	130,710	111,909
Interest and Rents	8,351	7,971	9,708
Other Revenue	79,560	2,868	557
Total Revenues	\$ 317,911	\$ 303,057	\$ 288,673
<u>EXPENDITURES</u>			
Legislative	\$ 8,070	\$ 6,000	\$ 7,628
General Government			
Executive	6,617	6,617	6,195
Elections	2,000	638	1,079
Independent Auditing	3,100	2,300	3,100
Attorney	8,000	2,417	1,799
Clerk	11,800	9,719	8,420
Board of Review	1,000	0	396
Treasurer	10,400	12,902	10,397
Public Safety	15,000	0	0
City Hall and Grounds	115,700	101,594	91,107
Public Works	49,000	41,595	39,330
Planning	13,295	7,567	7,879
Recreation and Cultural	5,400	4,946	4,342
Other Functions	127,960	64,190	61,995
Total Expenditures	\$ 377,342	\$ 260,485	\$ 243,667
Excess (Deficiency) of Revenues Over Expenditures	\$ (59,431)	\$ 42,572	\$ 45,006

CITY OF MCBAIN, MICHIGAN

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED APRIL 30, 2003

	2004		2003
	BUDGET	ACTUAL	ACTUAL
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers Out	\$ (33,000)	\$ (43,313)	\$ (58,300)
Residual Equity Transfers Out	(20,000)	(20,000)	0
Total Other Financing Sources (Uses)	\$ (53,000)	\$ (63,313)	\$ (58,300)
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	\$ (112,431)	\$ (20,741)	\$ (13,294)
<u>FUND BALANCE - Beginning of Year</u>	163,288	213,886	227,180
<u>FUND BALANCE - End of Year</u>	\$ 50,857	\$ 193,145	\$ 213,886

CITY OF MCBAIN, MICHIGAN

GENERAL FUND
ANALYSIS OF REVENUES - BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED APRIL 30, 2003

	2004		2003
	BUDGET	ACTUAL	ACTUAL
<u>TAXES</u>			
Current Property Tax	\$ 88,000	\$ 94,689	\$ 90,126
Delinquent Property Tax	0	1,109	5,212
Trailer Fees	0	40	38
Property Tax Administration Fee	10,000	11,167	13,124
Total Taxes	\$ 98,000	\$ 107,005	\$ 108,500
<u>STATE GRANTS</u>			
Sales Tax	\$ 57,000	\$ 53,872	\$ 57,999
Public Act 48	0	631	0
	\$ 57,000	\$ 54,503	\$ 57,999
<u>CHARGES FOR SERVICES</u>			
Refuse Collection	\$ 20,000	\$ 25,782	\$ 24,561
Summer Tax Collection Fee	0	1,073	0
Industrial Park Maintenance	25,000	48,290	43,112
Zoning Fees	0	0	180
Equipment Rental	15,000	28,516	22,272
Labor	15,000	27,049	21,784
Total Charges for Services	\$ 75,000	\$ 130,710	\$ 111,909
<u>INTEREST AND RENTS</u>			
Interest	\$ 3,000	\$ 2,620	\$ 4,357
Rents	5,351	5,351	5,351
Total Interest and Rents	\$ 8,351	\$ 7,971	\$ 9,708
<u>OTHER REVENUE</u>			
Refunds and Miscellaneous	\$ 6,300	\$ 2,643	\$ 557
Revolving	73,260	225	0
Total Other Revenue	\$ 79,560	\$ 2,868	\$ 557
TOTAL REVENUES	\$ 317,911	\$ 303,057	\$ 288,673

CITY OF MCBAIN, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2004
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED APRIL 30, 2003

	2004		2003
	BUDGET	ACTUAL	ACTUAL
<u>LEGISLATIVE</u>			
Mayor and City Council			
Salaries	\$ 8,000	\$ 6,000	\$ 6,600
Supplies	0	0	958
Dues	70	0	70
	<u>\$ 8,070</u>	<u>\$ 6,000</u>	<u>\$ 7,628</u>
<u>GENERAL GOVERNMENT</u>			
Supervisor			
Salaries	\$ 6,617	\$ 6,617	\$ 6,195
Elections			
Wages	\$ 2,000	\$ 0	\$ 1,079
Supplies	0	638	0
	<u>\$ 2,000</u>	<u>\$ 638</u>	<u>\$ 1,079</u>
Independent Auditing			
Independent Audit	\$ 3,100	\$ 2,300	\$ 3,100
Attorney			
Legal Fees	\$ 8,000	\$ 2,417	\$ 1,799
City Clerk's Office			
Salaries and Wages	\$ 9,000	\$ 7,796	\$ 7,796
Office Supplies	1,000	819	69
Printing and Publication	800	497	555
Miscellaneous	1,000	607	0
	<u>\$ 11,800</u>	<u>\$ 9,719</u>	<u>\$ 8,420</u>
Board of Review			
Salaries and Wages	\$ 1,000	\$ 0	\$ 396

CITY OF MCBAIN, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED APRIL 30, 2003

	2004		2003
	BUDGET	ACTUAL	ACTUAL
Treasurer's Office			
Salaries and Wages	\$ 6,400	\$ 8,884	\$ 7,600
Office Supplies	4,000	4,018	2,797
	<u>\$ 10,400</u>	<u>\$ 12,902</u>	<u>\$ 10,397</u>
Public Safety			
Improvements	\$ 10,000	\$ 0	\$ 0
Drainage	5,000	0	0
	<u>\$ 15,000</u>	<u>\$ 0</u>	<u>\$ 0</u>
City Hall and Grounds			
Salaries and Wages	\$ 75,000	\$ 64,861	\$ 61,785
Repairs and Maintenance	21,000	25,534	20,204
Utilities	8,000	8,632	7,591
Telephone	1,700	1,503	1,527
Capital Outlay	10,000	1,064	0
	<u>\$ 115,700</u>	<u>\$ 101,594</u>	<u>\$ 91,107</u>
Total General Government	<u>\$ 173,617</u>	<u>\$ 136,187</u>	<u>\$ 122,493</u>
<u>PUBLIC WORKS</u>			
Department of Public Works			
Refuse Disposal	\$ 22,000	\$ 20,903	\$ 20,807
Street Lighting	17,000	12,367	13,903
Capital Outlay			
Sidewalks	10,000	8,325	4,620
	<u>\$ 49,000</u>	<u>\$ 41,595</u>	<u>\$ 39,330</u>

CITY OF MCBAIN, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED APRIL 30, 2003

	2004		2003
	BUDGET	ACTUAL	ACTUAL
<u>PLANNING</u>			
Planning and Zoning Commission			
Contracted Services	\$ 6,840	\$ 6,840	\$ 6,840
Engineering	5,000	0	0
Miscellaneous	1,455	727	1,039
	<u>\$ 13,295</u>	<u>\$ 7,567</u>	<u>\$ 7,879</u>
<u>RECREATION AND CULTURAL</u>			
Christmas Decorations	\$ 1,000	\$ 785	\$ 1,340
Parks	1,500	0	0
Trees and Flowers	2,900	4,161	3,002
	<u>\$ 5,400</u>	<u>\$ 4,946</u>	<u>\$ 4,342</u>
<u>OTHER FUNCTIONS</u>			
Miscellaneous	\$ 1,000	\$ 1,685	\$ 285
Revolving	73,260	0	900
Employee Benefits			
Social Security	9,000	7,892	7,741
Retirement	7,400	7,763	7,200
Health and Life Insurance	21,000	21,995	16,771
Unemployment	300	295	247
Uniforms	1,000	851	851
Insurance and Bonds	15,000	23,709	28,000
	<u>\$ 127,960</u>	<u>\$ 64,190</u>	<u>\$ 61,995</u>
TOTAL EXPENDITURES	<u><u>\$ 377,342</u></u>	<u><u>\$ 260,485</u></u>	<u><u>\$ 243,667</u></u>

CITY OF MCBAIN, MICHIGAN

SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET

APRIL 30, 2004

WITH COMPARATIVE TOTALS FOR APRIL 30, 2003

	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>
<u>ASSETS</u>		
Cash	\$ 63,321	\$ 13,918
Due from Other Funds	150	0
Due from Other Governments	7,610	2,550
TOTAL ASSETS	<u>\$ 71,081</u>	<u>\$ 16,468</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 0	\$ 45
Due to Other Funds	0	6,348
TOTAL LIABILITIES	\$ 0	\$ 6,393
<u>FUND BALANCE</u>		
Unreserved	71,081	10,075
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 71,081</u>	<u>\$ 16,468</u>

STATEMENT B-1

		<u>TOTALS</u>	
<u>CEMETERY</u>	<u>FIRE</u>	<u>2004</u>	<u>2003</u>
\$ 19,727	\$ 4,825	\$ 101,791	\$ 123,121
0	0	150	150
0	0	10,160	9,267
<u>\$ 19,727</u>	<u>\$ 4,825</u>	<u>\$ 112,101</u>	<u>\$ 132,538</u>
\$ 50	\$ 831	\$ 926	\$ 1,361
0	0	6,348	6,348
\$ 50	\$ 831	\$ 7,274	\$ 7,709
19,677	3,994	104,827	124,829
<u>\$ 19,727</u>	<u>\$ 4,825</u>	<u>\$ 112,101</u>	<u>\$ 132,538</u>

CITY OF MCBAIN, MICHIGAN

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED APRIL, 30, 2004

WITH COMPARATIVE TOTALS FOR YEAR ENDED APRIL 30, 2003

	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>
<u>REVENUES</u>		
State Grants	\$ 46,591	\$ 15,644
Local Grants	0	0
Charges for Services	0	0
Interest and Rents	131	66
Other Revenue	349	349
	<hr/>	<hr/>
Total Revenues	\$ 47,071	\$ 16,059
<u>EXPENDITURES</u>		
General Government	\$ 0	\$ 0
Public Safety	0	0
Public Works	33,594	69,398
Debt Service	0	0
	<hr/>	<hr/>
Total Expenditures	\$ 33,594	\$ 69,398
Excess (Deficiency) of Revenues Over Expenditures	\$ 13,477	\$ (53,339)
<u>OTHER FINANCING SOURCES (USES)</u>		
Operating Transfers In	\$ 0	\$ 25,313
Operating Transfers In - Component Unit	0	1,698
Operating Transfers Out	0	0
Loan Proceeds	0	0
	<hr/>	<hr/>
Total Other Financing Sources (Uses)	\$ 0	\$ 27,011
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	\$ 13,477	\$ (26,328)
<u>FUND BALANCE - Beginning of Year</u>	<hr/> 57,604	<hr/> 36,403
<u>FUND BALANCE - End of Year</u>	<hr/> \$ 71,081	<hr/> \$ 10,075

STATEMENT B-2

CEMETERY	FIRE	TOTALS	
		2004	2003
\$ 0	\$ 0	\$ 62,235	\$ 61,075
0	180,939	180,939	16,000
1,650	0	1,650	2,700
225	80	502	958
765	50,062	51,525	1,580
<u>\$ 2,640</u>	<u>\$ 231,081</u>	<u>\$ 296,851</u>	<u>\$ 82,313</u>
\$ 9,366	\$ 0	\$ 9,366	\$ 11,475
0	358,382	358,382	25,524
0	0	102,992	45,130
0	156,939	156,939	0
<u>\$ 9,366</u>	<u>\$ 515,321</u>	<u>\$ 627,679</u>	<u>\$ 82,129</u>
<u>\$ (6,726)</u>	<u>\$ (284,240)</u>	<u>\$ (330,828)</u>	<u>\$ 184</u>
\$ 0	\$ 8,000	\$ 33,313	\$ 29,303
0	0	1,698	0
0	0	0	(11,003)
0	275,815	275,815	0
<u>\$ 0</u>	<u>\$ 283,815</u>	<u>\$ 310,826</u>	<u>\$ 18,300</u>
\$ (6,726)	\$ (425)	\$ (20,002)	\$ 18,484
26,403	4,419	124,829	106,345
<u>\$ 19,677</u>	<u>\$ 3,994</u>	<u>\$ 104,827</u>	<u>\$ 124,829</u>

CITY OF MCBAIN, MICHIGAN
MAJOR STREET FUND
COMPARATIVE BALANCE SHEET

APRIL 30,

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash	\$ 63,321	\$ 50,946
Due from Other Funds	150	150
Due from Other Governments	<u>7,610</u>	<u>6,947</u>
TOTAL ASSETS	<u>\$ 71,081</u>	<u>\$ 58,043</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 0	\$ 439
<u>FUND BALANCE</u>		
Unreserved	<u>71,081</u>	<u>57,604</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 71,081</u>	<u>\$ 58,043</u>

CITY OF MCBAIN, MICHIGAN

MAJOR STREET FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED APRIL 30, 2003

	2004		2003
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
State Grants			
Act 51			
Interest and Rents	\$ 35,000	46,591	\$ 45,478
Interest	200	131	284
Other Revenue			
Miscellaneous	0	349	0
Total Revenues	\$ 35,200	\$ 47,071	\$ 45,762
<u>EXPENDITURES</u>			
Public Works			
Administration			
Salaries and Payroll Taxes	\$ 400	\$ 400	\$ 550
Audit Fees	650	650	650
Street Construction	15,000	0	0
Repair and Maintenance	15,000	6,423	8,757
Snow Removal and Ice Control	13,000	20,479	7,926
Traffic Services	600	2,120	188
Roadside Parks	2,500	1,277	2,238
Capital Outlay	2,500	2,245	2,245
Total Expenditures	\$ 49,650	\$ 33,594	\$ 22,554
Excess (Deficiency) of Revenues Over Expenditures	\$ (14,450)	\$ 13,477	\$ 23,208
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In			
General Fund	\$ 0	\$ 0	\$ 150
Operating Transfers Out			
Local Street Fund	20,000	0	(11,003)
Total Other Financing Sources (Uses)	\$ 20,000	\$ 0	\$ (10,853)
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	\$ 5,550	\$ 13,477	\$ 12,355
<u>FUND BALANCE - Beginning of Year</u>	48,432	57,604	45,249
<u>FUND BALANCE - End of Year</u>	\$ 53,982	\$ 71,081	\$ 57,604

CITY OF MCBAIN, MICHIGAN
LOCAL STREET FUND
COMPARATIVE BALANCE SHEET

APRIL 30,

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash	\$ 13,918	\$ 40,870
Due From Other Governments	2,550	2,320
	<hr/>	<hr/>
TOTAL ASSETS	\$ 16,468	\$ 43,190
	<hr/>	<hr/>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Due to Other Funds	\$ 6,348	\$ 6,348
Accounts Payable	45	439
	<hr/>	<hr/>
TOTAL LIABILITIES	\$ 6,393	\$ 6,787
	<hr/>	<hr/>
<u>FUND BALANCE</u>		
Unreserved	10,075	36,403
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 16,468	\$ 43,190
	<hr/>	<hr/>

LOCAL STREET FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2004
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED APRIL 30, 2003

	2004		2003
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
State Grants			
Act 51	\$ 15,000	\$ 15,644	\$ 15,597
Interest and Rents			
Interest	100	66	209
Other Revenue			
Miscellaneous	0	349	0
Total Revenues	\$ 15,100	\$ 16,059	\$ 15,806
<u>EXPENDITURES</u>			
Public Works			
Administration			
Salaries and Payroll Taxes	\$ 400	\$ 400	\$ 550
Audit Fees	650	650	650
Street Construction	15,000	50,626	0
Repair and Maintenance	12,000	7,009	14,161
Snow Removal and Ice Control	10,000	9,610	6,918
Traffic Services	500	1,103	297
Total Expenditures	\$ 38,550	\$ 69,398	\$ 22,576
Excess (Deficiency) of Revenues Over Expenditures	\$ (23,450)	\$ (53,339)	\$ (6,770)
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In			
General Fund	\$ 0	\$ 25,313	\$ 150
Major Street Fund	20,000	0	11,003
Tax Increment Finance Authority	0	1,698	0
Total Other Financing Sources (Uses)	\$ 20,000	\$ 27,011	\$ 11,153
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	\$ (3,450)	\$ (26,328)	\$ 4,383
<u>FUND BALANCE - Beginning of Year</u>	41,626	36,403	32,020
<u>FUND BALANCE - End of Year</u>	\$ 38,176	\$ 10,075	\$ 36,403

CITY OF MCBAIN, MICHIGAN
CEMETERY FUND
COMPARATIVE BALANCE SHEET

APRIL 30,

	<u>ASSETS</u>	<u>2004</u>	<u>2003</u>
Cash		\$ 19,727	\$ 26,453
	<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>			
Accounts Payable		\$ 50	\$ 50
<u>FUND BALANCE</u>			
Unreserved		19,677	26,403
TOTAL LIABILITIES AND FUND BALANCE		\$ 19,727	\$ 26,453

CITY OF MCBAIN, MICHIGAN

CEMETERY FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED APRIL 30, 2003

	2004		2003
	BUDGET	ACTUAL	ACTUAL
REVENUES			
Charges for Services			
Grave Openings	\$ 200	\$ 1,650	\$ 2,700
Interest and Rents			
Interest	100	225	331
Other Revenues			
Sale of Cemetery Lots	500	750	675
Miscellaneous	0	15	0
Total Revenues	\$ 800	\$ 2,640	\$ 3,706
EXPENDITURES			
General Government			
Salaries and Wages	\$ 500	\$ 500	\$ 500
Utilities	100	85	85
Audit Fees	250	250	250
Repairs and Maintenance	22,000	8,506	6,324
Miscellaneous	125	25	25
Capital Outlay	0	0	4,291
Total Expenditures	\$ 22,975	\$ 9,366	\$ 11,475
Excess (Deficiency) of Revenues Over Expenditures	\$ (22,175)	\$ (6,726)	\$ (7,769)
OTHER FINANCING SOURCES (USES)			
Operating Transfers In			
General Fund	\$ 10,000	\$ 0	\$ 10,000
Land Development Fund	10,000	0	0
Total Other Financing Sources	\$ 20,000	\$ 0	\$ 10,000
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	\$ (2,175)	\$ (6,726)	\$ 2,231
FUND BALANCE - Beginning of Year	26,141	26,403	24,172
FUND BALANCE - End of Year	\$ 23,966	\$ 19,677	\$ 26,403

CITY OF MCBAIN, MICHIGAN
FIRE FUND
COMPARATIVE BALANCE SHEET
APRIL 30,

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash	\$ 4,825	\$ 4,852
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 831	\$ 433
<u>FUND BALANCE</u>		
Unreserved	3,994	4,419
TOTAL LIABILITIES AND FUND BALANCE	\$ 4,825	\$ 4,852

CITY OF MCBAIN, MICHIGAN

FIRE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2004
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED APRIL 30, 2003

	2004		2003
	BUDGET	ACTUAL	ACTUAL
REVENUES			
Grants from Local Units			
Yearly Assessment	\$ 24,000	\$ 24,000	\$ 16,000
New Truck assessment	0	156,939	0
Interest and Rents			
Interest	200	55	134
Rents	0	25	0
Other Revenues			
Fire Run Revenue	0	0	700
Donations	0	12,400	0
Refunds and Miscellaneous	1,245	37,662	205
Total Revenues	\$ 25,445	\$ 231,081	\$ 17,039

EXPENDITURES

Fire Protection			
Chief's Salary	\$ 300	\$ 300	\$ 300
Treasurer's Salary	200	200	200
Quartermaster	100	100	75
Officers' Pay	200	150	200
Board Meetings	30	0	50
Worker's Compensation	1,200	1,131	969
Fire Runs and Meetings	5,300	4,732	2,807
Independent Audit	550	530	530
Legal	0	180	0
Communications	600	552	447
Gas and Oil	1,000	881	377
Fire Prevention	200	0	0
Foam	310	0	310
Lunches	400	468	376
Insurance	15,800	13,499	7,727
Supplies	600	1,183	1,260

CITY OF MCBAIN, MICHIGAN

FIRE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED APRIL 30, 2003

	2004		2003
	BUDGET	ACTUAL	ACTUAL
Repairs and Maintenance	6,500	8,823	4,346
Education and Training	500	248	770
Health & Safety	700	292	0
Miscellaneous	574	44	338
Capital Outlay			
Fire Truck	0	275,815	0
Equipment	40,500	49,254	4,442
Debt Service			
Pumper Loan Principal	0	151,859	0
Pumper Loan Interest	0	5,080	0
Total Expenditures	\$ 75,564	\$ 515,321	\$ 25,524
Excess (Deficiency) of Revenues Over Expenditures	\$ (50,119)	\$ (284,240)	\$ (8,485)
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In			
General Fund	\$ 0	\$ 8,000	\$ 8,000
Loan Proceeds	0	275,815	0
Total Other Financing Sources	\$ 0	\$ 283,815	\$ 8,000
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	\$ (50,119)	\$ (425)	\$ (485)
<u>FUND BALANCE - Beginning of Year</u>	4,852	4,419	4,904
<u>FUND BALANCE - End of Year</u>	\$ (45,267)	\$ 3,994	\$ 4,419

CITY OF MCBAIN, MICHIGAN

CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET

APRIL 30, 2004

WITH COMPARATIVE TOTALS FOR APRIL 30, 2003

	LAND DEVELOPMENT	CAPITAL OUTLAY EQUIPMENT	TOTALS	
			2004	2003
<u>ASSETS</u>				
Cash	\$ 67,558	\$ 25,643	\$ 93,201	\$ 82,862
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0
<u>FUND BALANCE</u>				
Unreserved				
Designated for				
City Hall Equipment	\$ 0	\$ 25,643	\$ 25,643	\$ 15,500
Undesignated	67,558	0	67,558	67,362
Total Fund Balance	\$ 67,558	\$ 25,643	\$ 93,201	\$ 82,862
<u>TOTAL LIABILITIES AND FUND BALANCE</u>				
	\$ 67,558	\$ 25,643	\$ 93,201	\$ 82,862

CITY OF MCBAIN, MICHIGAN

CAPITAL PROJECTS FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED APRIL 30, 2004
WITH COMPARATIVE TOTALS FOR YEAR ENDED APRIL 30, 2003

	LAND DEVELOPMENT	CAPITAL OUTLAY EQUIPMENT	TOTALS	
			2004	2003
REVENUES				
Interest and Rents	\$ 446	\$ 143	\$ 589	\$ 789
Other Revenue	0	0	0	2,000
Total Revenue	\$ 446	\$ 143	\$ 589	\$ 2,789
EXPENDITURES				
General Government	\$ 0	\$ 0	\$ 0	\$ 86,121
Economic Development	250	0	250	50,827
Total Expenditures	\$ 250	\$ 0	\$ 250	\$ 136,948
Excess (Deficiency) of Revenues Over Expenditures	\$ 196	\$ 143	\$ 339	\$ (134,159)
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	0	10,000	10,000	59,473
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	\$ 196	\$ 10,143	\$ 10,339	\$ (74,686)
FUND BALANCE - Beginning of Year	67,362	15,500	82,862	157,548
FUND BALANCE - End of Year	\$ 67,558	\$ 25,643	\$ 93,201	\$ 82,862

CITY OF MCBAIN, MICHIGAN
LAND DEVELOPMENT FUND
COMPARATIVE BALANCE SHEET

APRIL 30,

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash	\$ 67,558	\$ 67,362
	<u>67,558</u>	<u>67,362</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 0	\$ 0
<u>FUND BALANCE</u>		
Unreserved	<u>67,558</u>	<u>67,362</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 67,558</u>	<u>\$ 67,362</u>

CITY OF MCBAIN, MICHIGAN

LAND DEVELOPMENT FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED APRIL 30, 2003

	2004		2003
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
Interest and Rents			
Interest	\$ 250	\$ 446	\$ 469
<u>EXPENDITURES</u>			
Economic Development			
Independent Audit	\$ 350	\$ 250	\$ 220
Capital Outlay	10,000	0	50,607
Contracted Services	10,000	0	0
Total Expenditures	\$ 20,350	\$ 250	\$ 50,827
Excess (Deficiency) of Revenues Over Expenditures	\$ (20,100)	\$ 196	\$ (50,358)
<u>FUND BALANCE - Beginning of Year</u>	61,744	67,362	117,720
<u>FUND BALANCE - End of Year</u>	\$ 41,644	\$ 67,558	\$ 67,362

CITY OF MCBAIN, MICHIGAN
CAPITAL OUTLAY EQUIPMENT FUND
COMPARATIVE BALANCE SHEET

APRIL 30,

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash	\$ 25,643	\$ 15,500
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 0	\$ 0
<u>FUND BALANCE</u>		
Unreserved		
Designated for City Hall Equipment	25,643	15,500
TOTAL LIABILITIES AND FUND BALANCE	\$ 25,643	\$ 15,500

CITY OF MCBAIN, MICHIGAN

CAPITAL OUTLAY EQUIPMENT FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2004
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED APRIL 30, 2003

	2004		2003
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
Interest and Rents			
Interest			
Other Revenue	\$ 500	\$ 143	\$ 320
Sale of Fixed Assets	0	0	2,000
Total Revenues	\$ 500	\$ 143	\$ 2,320
<u>EXPENDITURES</u>			
General Government			
Independent Audit	\$ 200	\$ 0	\$ 0
Capital Outlay	43,000	0	86,121
Total Expenditures	\$ 43,200	\$ 0	\$ 86,121
Excess (Deficiency) of Revenues Over Expenditures	\$ (42,700)	\$ 143	\$ (83,801)
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In (Out)			
General Fund	\$ 20,000	\$ 10,000	\$ 20,000
TIFA	0	0	39,473
Total Other Financing Sources (Uses)	\$ 20,000	\$ 10,000	\$ 59,473
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	\$ (22,700)	\$ 10,143	\$ (24,328)
<u>FUND BALANCE - Beginning of Year</u>	15,908	15,500	39,828
<u>FUND BALANCE - End of Year</u>	\$ (6,792)	\$ 25,643	\$ 15,500

CITY OF MCBAIN, MICHIGAN

ENTERPRISE FUNDS
COMBINING BALANCE SHEET

APRIL 30, 2004
WITH COMPARATIVE TOTALS FOR APRIL 30, 2003

	<u>WATER</u>	<u>SEWER</u>	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>				
<u>CURRENT ASSETS</u>				
Cash	\$111,105	\$ 124,405	\$ 235,510	\$ 200,198
Receivables				
Taxes	0	929	929	0
Accounts	283	323	606	1,137
Due from Other Funds	0	608	608	0
Total Current Assets	<u>\$111,388</u>	<u>\$ 126,265</u>	<u>\$ 237,653</u>	<u>\$ 201,335</u>
<u>RESTRICTED ASSETS</u>				
Cash	\$ 0	\$ 32,564	\$ 32,564	\$ 33,225
Property Assessments Receivable	0	5,531	5,531	5,928
Total Restricted Assets	<u>\$ 0</u>	<u>\$ 38,095</u>	<u>\$ 38,095</u>	<u>\$ 39,153</u>
<u>PROPERTY, PLANT AND EQUIPMENT</u>				
Fixed Assets (Net of Accumulated Depreciation)	<u>\$405,325</u>	<u>\$ 1,074,624</u>	<u>\$ 1,479,949</u>	<u>\$ 1,561,231</u>
TOTAL ASSETS	<u><u>\$516,713</u></u>	<u><u>\$ 1,238,984</u></u>	<u><u>\$ 1,755,697</u></u>	<u><u>\$ 1,801,719</u></u>

	WATER	SEWER	2004	2003
<u>LIABILITIES AND FUND EQUITY</u>				
<u>CURRENT LIABILITIES</u>				
(Payable from Current Assets)				
Accounts Payable	\$ 917	\$ 1,086	\$ 2,003	\$ 1,306
<u>CURRENT LIABILITIES</u>				
(Payable from Restricted Assets)				
Accrued Interest	\$ 0	\$ 308	\$ 308	\$ 350
Current Portion of Long-Term Debt	0	10,000	10,000	10,000
Total Current Liabilities				
(Payable from				
Restricted Assets)	\$ 0	\$ 10,308	\$ 10,308	\$ 10,350
<u>LONG-TERM LIABILITIES</u>				
Bonds Payable (Net of Current Portion)	\$ 0	\$ 64,000	\$ 64,000	\$ 74,000
Total Liabilities	\$ 917	\$ 75,394	\$ 76,311	\$ 85,656
<u>FUND EQUITY</u>				
Contributed Equity	\$ 350,500	\$ 838,952	\$ 1,189,452	\$ 1,258,769
Retained Earnings	165,296	324,638	489,934	457,294
Total Fund Equity	\$ 515,796	\$ 1,163,590	\$ 1,679,386	\$ 1,716,063
TOTAL LIABILITIES AND FUND EQUITY	\$ 516,713	\$ 1,238,984	\$ 1,755,697	\$ 1,801,719

CITY OF MCBAIN, MICHIGAN

ENTERPRISE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

YEAR ENDED APRIL 30, 2004

WITH COMPARATIVE TOTALS FOR YEAR ENDED APRIL 30, 2003

	WATER	SEWER	TOTALS	
			2004	2003
<u>OPERATING REVENUES</u>				
Charges for Services	\$ 29,491	\$ 30,777	\$ 60,268	\$ 60,473
Miscellaneous	1,646	500	2,146	600
Total Operating Revenues	\$ 31,137	\$ 31,277	\$ 62,414	\$ 61,073
<u>OPERATING EXPENSES</u>				
Clerk's Salary	\$ 2,000	\$ 2,000	\$ 4,000	\$ 4,000
Salaries and Wages	0	6,000	6,000	6,000
Office Supplies and Expense	305	212	517	271
Collection Fees	150	0	150	150
Audit Fees	725	775	1,500	1,650
Public Utilities	7,557	2,535	10,092	10,383
Repairs and Maintenance	16,257	12,743	29,000	26,714
Printing and Publication	0	0	0	292
Depreciation	42,400	38,883	81,283	81,283
Miscellaneous	180	34	214	295
Total Operating Expenses	\$ 69,574	\$ 63,182	\$ 132,756	\$ 131,038
Operating Income (Loss)	\$ (38,437)	\$ (31,905)	\$ (70,342)	\$ (69,965)
<u>NONOPERATING REVENUES AND (EXPENSES)</u>				
Current Property Tax Levy	\$ 0	\$ 10,395	\$ 10,395	\$ 9,785
Sale of Hay	0	3,803	3,803	0
Interest Income	928	1,768	2,696	4,169
Interest Expense	0	(4,158)	(4,158)	(4,612)

CITY OF MCBAIN, MICHIGAN

ENTERPRISE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

YEAR ENDED APRIL 30, 2004

WITH COMPARATIVE TOTALS FOR YEAR ENDED APRIL 30, 2003

	WATER	SEWER	TOTALS	
			2004	2003
Wellhead Protection Grant	2,167	0	2,167	0
Wellhead Protection Expenses	(1,237)	0	(1,237)	(3,311)
Total Nonoperating Revenues and (Expenses)	\$ 1,858	\$ 11,808	\$ 13,666	\$ 6,031
Net Income (Loss)	\$ (36,579)	\$ (20,097)	\$ (56,676)	\$ (63,934)
Depreciation on Fixed Assets Acquired by Grants and Shared Revenues Externally Restricted for Capital Acquisitions and Construction that Reduces Contributed Capital	35,717	33,599	69,316	69,316
Residual Equity Transfers In - General Fund	10,000	10,000	20,000	20,000
Tax Increment Finance Authority	0	0	0	3,847
Increase (Decrease) in Retained Earnings	\$ 9,138	\$ 23,502	\$ 32,640	\$ 29,229
<u>RETAINED EARNINGS - Beginning of Year</u>	<u>156,158</u>	<u>301,136</u>	<u>457,294</u>	<u>428,065</u>
<u>RETAINED EARNINGS - End of Year</u>	<u>\$ 165,296</u>	<u>\$ 324,638</u>	<u>\$ 489,934</u>	<u>\$ 457,294</u>

CITY OF MCBAIN, MICHIGAN

ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED APRIL 30, 2004
WITH COMPARATIVE TOTALS FOR YEAR ENDED APRIL 30, 2003

	WATER	SEWER	TOTALS	
			2004	2003
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>				
Cash Flows from Operating Activities:				
Operating Income (Loss)	\$ (38,437)	\$ (31,905)	\$ (70,342)	\$ (69,965)
Adjustments to Reconcile Operating Income to				
Net Cash Provided by Operating Activities:				
Depreciation	42,400	38,883	81,283	81,283
(Increase) Decrease in Current Assets				
Accounts Receivable	249	(859)	(610)	509
Increase (Decrease) in Current Liabilities				
Accounts Payable	432	222	654	(9)
Net Cash Provided by Operating Activities	\$ 4,644	\$ 6,341	\$ 10,985	\$ 11,818
Cash Flows from Noncapital Financing Activities:				
Property Taxes Collected	\$ 0	\$ 10,395	\$ 10,395	\$ 9,785
Hay Sale	0	3,803	3,803	0
Residual Equity Transfer In - General Fund	10,000	10,000	20,000	20,000
Residual Equity Transfer In - TIFA	0	0	0	3,847
Wellhead Protection Grant	2,167	0	2,167	0
Wellhead Protection Expenses	(1,237)	0	(1,237)	(3,311)
Net Cash Flows Provided by Noncapital				
Financing Activities	\$ 10,930	\$ 24,198	\$ 35,128	\$ 30,321
Cash Flows from Capital and Related Financing Activities:				
Principal Paid on Revenue Bonds	\$ 0	\$ (10,000)	\$ (10,000)	\$ (9,000)
Interest on Revenue Bonds	0	(4,158)	(4,158)	(4,612)
Net Cash Flows Provided (Used) by Capital				
and Related Financing Activities	\$ 0	\$ (14,158)	\$ (14,158)	\$ (13,612)
Cash Flows from Investing Activities:				
Interest	\$ 928	\$ 1,768	\$ 2,696	\$ 4,169
Net Increase (Decrease) in Cash and				
Cash Equivalents	\$ 16,502	\$ 18,149	\$ 34,651	\$ 32,696
<u>CASH AND CASH EQUIVALENTS -</u>				
<u>Beginning of Year</u>	94,603	138,820	233,423	200,727
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	\$ 111,105	\$ 156,969	\$ 268,074	\$ 233,423

CITY OF MCBAIN, MICHIGAN
WATER FUND
COMPARATIVE BALANCE SHEET

APRIL 30,

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 111,105	\$ 94,603
Receivables		
Accounts	283	533
Total Current Assets	\$ 111,388	\$ 95,136
<u>PROPERTY, PLANT AND EQUIPMENT</u>		
Machinery and Equipment	\$ 5,339	\$ 5,339
Water Wells and Distribution System	1,000,575	1,000,575
Less Accumulated Depreciation	(600,589)	(558,190)
Net Property, Plant and Equipment	\$ 405,325	\$ 447,724
TOTAL ASSETS	\$ 516,713	\$ 542,860
<u>LIABILITIES AND FUND EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 917	\$ 484
<u>FUND EQUITY</u>		
Contributed Equity	\$ 847,386	\$ 847,386
Less Accumulated Depreciation on Contributed Assets	(496,886)	(461,168)
Retained Earnings	\$ 350,500	\$ 386,218
	165,296	156,158
Total Fund Equity	\$ 515,796	\$ 542,376
TOTAL LIABILITIES AND FUND EQUITY	\$ 516,713	\$ 542,860

CITY OF MCBAIN, MICHIGAN

WATER FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

YEARS ENDED APRIL 30,

	2004	2003
OPERATING REVENUES		
Charges for Services	\$ 29,491	\$ 29,474
Turn On Fees	1,646	0
Total Operating Revenues	\$ 31,137	\$ 29,474
OPERATING EXPENSES		
Clerk's Salary	\$ 2,000	\$ 2,000
Office Supplies and Expense	305	201
Collection Fees	150	150
Audit Fees	725	800
Public Utilities	7,557	7,904
Repairs and Maintenance	16,257	13,309
Printing and Publication	0	292
Depreciation	42,400	42,400
Miscellaneous	180	295
Total Operating Expenses	\$ 69,574	\$ 67,351
Operating Income (Loss)	\$ (38,437)	\$ (37,877)
NONOPERATING REVENUES AND (EXPENSES)		
Interest	\$ 928	\$ 1,427
Wellhead Protection Grant	2,167	0
Wellhead Protection Expenses	(1,237)	(3,311)
Total Nonoperating Revenues and (Expenses)	\$ 1,858	\$ (1,884)
Net Income (Loss)	\$ (36,579)	\$ (39,761)
Depreciation on Fixed Assets Acquired by Grants and Shared Revenues Externally Restricted for Capital Acquisitions and Construction that Reduces Contributed Capital	35,717	35,717
Residual Equity Transfers In - General Fund	10,000	10,000
Residual Equity Transfers In - TIFA	0	3,847
Increase (Decrease) in Retained Earnings	\$ 9,138	\$ 9,803
RETAINED EARNINGS - Beginning of Year	156,158	146,355
RETAINED EARNINGS - End of Year	\$ 165,296	\$ 156,158

CITY OF MCBAIN, MICHIGAN
WATER FUND
COMPARATIVE STATEMENT OF CASH FLOWS
YEAR ENDED APRIL 30,

	<u>2004</u>	<u>2003</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities:		
Operating Income (Loss)	\$ (38,437)	\$ (37,877)
Adjustments to Reconcile Operating Income to		
Net Cash Provided by Operating Activities:		
Depreciation	42,400	42,400
(Increase) Decrease in Current Assets		
Accounts Receivable	249	(248)
Increase (Decrease) in Current Liabilities		
Accounts Payable	432	114
Net Cash Provided (Used) by Operating Activities	<u>\$ 4,644</u>	<u>\$ 4,389</u>
Cash Flows from Noncapital Financing Activities:		
Residual Equity Transfer In - General Fund	\$ 10,000	\$ 10,000
Residual Equity Transfer In - TIFA	0	3,847
Wellhead Protection Grant	2,167	0
Wellhead Protection Expenses	<u>(1,237)</u>	<u>(3,311)</u>
Net Cash Flows Provided (Used) by Noncapital Financing Activities	<u>\$ 10,930</u>	<u>\$ 10,536</u>
Cash Flows from Investing Activities:		
Interest	<u>\$ 928</u>	<u>\$ 1,427</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 16,502	\$ 16,352
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	<u>94,603</u>	<u>78,251</u>
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	<u>\$ 111,105</u>	<u>\$ 94,603</u>

CITY OF MCBAIN, MICHIGAN
SEWER FUND
COMPARATIVE BALANCE SHEET

APRIL 30,

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 124,405	\$ 105,595
Receivables		
Taxes	929	0
Accounts	323	604
Due from Other Funds	608	0
	<hr/>	<hr/>
Total Current Assets	\$ 126,265	\$ 106,199
	<hr/>	<hr/>
<u>RESTRICTED ASSETS</u>		
Debt Retirement Account		
Cash	\$ 32,564	\$ 33,225
Property Assessments Receivable	5,531	5,928
	<hr/>	<hr/>
Total Restricted Assets	\$ 38,095	\$ 39,153
	<hr/>	<hr/>
<u>PROPERTY, PLANT AND EQUIPMENT</u>		
Land	\$ 88,703	\$ 88,703
Land Improvements	1,734,935	1,734,935
Buildings	67,921	67,921
Machinery and Equipment	117,130	117,130
	<hr/>	<hr/>
Total Property, Plant and Equipment	\$ 2,008,689	\$ 2,008,689
	<hr/>	<hr/>
Less Accumulated Depreciation	(934,065)	(895,182)
	<hr/>	<hr/>
Net Property, Plant and Equipment	\$ 1,074,624	\$ 1,113,507
	<hr/>	<hr/>
TOTAL ASSETS	\$ 1,238,984	\$ 1,258,859
	<hr/>	<hr/>

	2004	2003
<u>LIABILITIES AND FUND EQUITY</u>		
<u>CURRENT LIABILITIES (PAYABLE FROM CURRENT ASSETS)</u>		
Accounts Payable	\$ 1,086	\$ 822
<u>CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)</u>		
Accrued Interest Payable	\$ 308	\$ 350
Current Portion of Long-Term Debt	10,000	10,000
Total Current Liabilities (Payable from Restricted Assets)	\$ 10,308	\$ 10,350
<u>LONG-TERM LIABILITIES</u>		
Bonds Payable	\$ 64,000	\$ 74,000
Total Liabilities	\$ 75,394	\$ 85,172
<u>FUND EQUITY</u>		
Contributed Capital		
City of McBain	\$ 300,531	\$ 300,531
State of Michigan	75,920	75,920
Federal Government	1,282,598	1,282,598
Less Accumulated Depreciation on Contributed Assets	(820,097)	(786,498)
Total Contributed Capital	\$ 838,952	\$ 872,551
Retained Earnings	324,638	301,136
Total Fund Equity	\$ 1,163,590	\$ 1,173,687
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,238,984	\$ 1,258,859

CITY OF MCBAIN, MICHIGAN

SEWER FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

YEARS ENDED APRIL 30,

	2004	2003
<u>OPERATING REVENUES</u>		
Charges for Services	\$ 30,777	\$ 30,999
Miscellaneous	500	600
Total Operating Revenues	<u>\$ 31,277</u>	<u>\$ 31,599</u>
<u>OPERATING EXPENSES</u>		
Clerk's Salary	\$ 2,000	\$ 2,000
Salaries and Wages	6,000	6,000
Office Supplies and Expense	212	70
Audit Fees	775	850
Public Utilities	2,535	2,479
Repairs and Maintenance	12,743	13,405
Depreciation	38,883	38,883
Miscellaneous	34	0
Total Operating Expenses	<u>\$ 63,182</u>	<u>\$ 63,687</u>
Operating Income (Loss)	<u>\$ (31,905)</u>	<u>\$ (32,088)</u>
<u>NONOPERATING REVENUES AND (EXPENSES)</u>		
Current Property Tax Levy	\$ 10,395	\$ 9,785
Sale of Hay	3,803	0
Interest Income	1,768	2,742
Interest Expense	(4,158)	(4,612)
Total Nonoperating Revenues and (Expenses)	<u>\$ 11,808</u>	<u>\$ 7,915</u>
Net Income (Loss)	<u>\$ (20,097)</u>	<u>\$ (24,173)</u>
Depreciation on Fixed Assets Acquired by Grants and Shared Revenues Externally Restricted for Capital Acquisitions and Construction that Reduces Contributed Capital	33,599	33,599
Residual Equity Transfers In - General Fund	10,000	10,000
Increase (Decrease) in Retained Earnings	<u>\$ 23,502</u>	<u>\$ 19,426</u>
<u>RETAINED EARNINGS - Beginning of Year</u>	<u>301,136</u>	<u>281,710</u>
<u>RETAINED EARNINGS - End of Year</u>	<u>\$ 324,638</u>	<u>\$ 301,136</u>

CITY OF MCBAIN, MICHIGAN

SEWER FUND
COMPARATIVE STATEMENT OF CASH FLOWS

YEAR ENDED APRIL 30,

	2004	2003
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities:		
Operating Income (Loss)	\$ (31,905)	\$ (32,088)
Adjustments to Reconcile Operating Income to		
Net Cash Provided by Operating Activities:		
Depreciation	38,883	38,883
(Increase) Decrease in Current Assets		
Accounts Receivable	(859)	757
Increase (Decrease) in Current Liabilities		
Accounts Payable	222	(123)
Net Cash Provided (Used) by Operating Activities	\$ 6,341	\$ 7,429
Cash Flows from Noncapital Financing Activities:		
Property Taxes Collected	\$ 10,395	\$ 9,785
Sale of Hay	3,803	0
Residual Equity Transfer In - General Fund	10,000	10,000
Net Cash Flows Provided (Used) by Noncapital Financing Activities	\$ 24,198	\$ 19,785
Cash Flows from Capital and Related Financing Activities		
Principal Paid on Revenue Bonds	\$ (10,000)	\$ (9,000)
Interest on Revenue Bonds	(4,158)	(4,612)
Net Cash Flows Provided (Used) by Capital		
and Related Financing Activities	\$ (14,158)	\$ (13,612)
Cash Flows from Investing Activities:		
Interest	\$ 1,768	\$ 2,742
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 18,149	\$ 16,344
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	138,820	122,476
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	\$ 156,969	\$ 138,820

CITY OF MCBAIN, MICHIGAN
TAX COLLECTION FUND
COMPARATIVE BALANCE SHEET

APRIL 30,

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash		
Due from Component Units	\$ 29,163	\$ 63,461
Downtown Development Authority	763	0
Total Liabilities	<u>\$ 29,926</u>	<u>\$ 63,461</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 32	\$ 0
Due to Other Governments	6,002	62,779
Due to Other Funds		
General Fund	4,358	619
Sewer Fund	608	0
Due to Component Units		
Tax Increment Finance Authority	18,926	63
Total Liabilities	<u>\$ 29,926</u>	<u>\$ 63,461</u>

CITY OF MCBAIN, MICHIGAN

TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

YEAR ENDED APRIL 30, 2004

	BALANCE 5/1/2003	ADDITIONS	DELETIONS	BALANCE 4/30/2004
<u>ASSETS</u>				
Cash	\$ 63,461	\$ 1,084,810	\$ 1,119,108	\$ 29,163
Due from Component Units	0	763	0	763
	<u>\$ 63,461</u>	<u>\$ 1,085,573</u>	<u>1,119,108</u>	<u>\$ 29,926</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 0	\$ 2,634	\$ 2,602	\$ 32
Due to Other Governments	62,779	695,923	752,760	6,002
Due to Other Funds	619	108,342	103,995	4,966
Due to Component Units	63	277,911	259,048	18,926
	<u>\$ 63,461</u>	<u>\$ 1,084,810</u>	<u>\$ 1,118,345</u>	<u>\$ 29,926</u>
TOTAL LIABILITIES				

COMPONENT UNITS
COMBINING BALANCE SHEET

APRIL 30, 2004
WITH COMPARATIVE TOTALS FOR APRIL 30, 2003

	DOWNTOWN DEVELOPMENT AUTHORITY CONSTRUCTION FUND	TAX INCREMENT FINANCE AUTHORITY	GENERAL LONG-TERM DEBT	TOTALS	
				2004	2003
<u>ASSETS AND OTHER DEBITS</u>					
<u>ASSETS</u>					
Cash	\$ 145,664	\$ 233,724	\$ 0	\$ 379,388	\$ 548,805
Receivables					
Property Taxes	2,223	25,777	0	28,000	10,313
Accrued Interest	8	22	0	30	41
Loans	0	757,668	0	757,668	766,711
Due from Other Funds	2,120	0	0	2,120	2,120
Due from Primary Government	37	18,926	0	18,963	100
<u>OTHER DEBITS</u>					
Amount to be Provided for Retirement of General Long-Term Debt	0	0	44,448	44,448	54,290
TOTAL ASSETS AND OTHER DEBITS	\$ 150,052	\$ 1,036,117	\$ 44,448	\$ 1,230,617	\$ 1,382,380
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Due to Other Funds	\$ 0	\$ 2,120	\$ 0	\$ 2,120	\$ 2,120
Due to Primary Government	763	0	0	763	0
Deferred Revenue	1,024	775,267	0	776,291	777,024
Installment Purchase					
Agreement Payable	0	0	44,448	44,448	54,290
Total Liabilities	\$ 1,787	\$ 777,387	\$ 44,448	\$ 823,622	\$ 833,434
<u>FUND BALANCE</u>					
Unreserved					
Designated for City Hall	\$ 71,900	\$ 0	\$ 0	\$ 71,900	\$ 71,900
Undesignated	76,365	258,730	0	335,095	477,046
Total Fund Balance	\$ 148,265	\$ 258,730	\$ 0	\$ 406,995	\$ 548,946
TOTAL LIABILITIES AND FUND BALANCE	\$ 150,052	\$ 1,036,117	\$ 44,448	\$ 1,230,617	\$ 1,382,380

CITY OF MCBAIN, MICHIGAN

COMPONENT UNITS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED APRIL 30, 2004

WITH COMPARATIVE TOTALS FOR YEAR ENDED APRIL 30, 2003

	DOWNTOWN DEVELOPMENT AUTHORITY CONSTRUCTION FUND	TAX INCREMENT FINANCE AUTHORITY	TOTALS	
			2004	2003
<u>REVENUES</u>				
Taxes	\$ 41,702	\$ 245,650	\$ 287,352	\$ 311,408
Interest and Rents	597	1,507	2,104	18,591
Other Revenue	0	71,564	71,564	116,761
Total Revenues	\$ 42,299	\$ 318,721	\$ 361,020	\$ 446,760
<u>EXPENDITURES</u>				
Economic Development	\$ 54,148	\$ 434,650	\$ 488,798	\$ 362,128
Debt Service				
Principal	9,842	0	9,842	9,387
Interest	2,633	0	2,633	3,089
Total Expenditures	\$ 66,623	\$ 434,650	\$ 501,273	\$ 374,604
Excess (Deficiency) of Revenues Over Expenditures	\$ (24,324)	\$ (115,929)	\$ (140,253)	\$ 72,156
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating Transfers Out Primary Government	0	(1,698)	(1,698)	(43,320)
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	\$ (24,324)	\$ (117,627)	(141,951)	28,836
<u>FUND BALANCE - Beginning of Year</u>	172,589	376,357	548,946	520,110
<u>FUND BALANCE - End of Year</u>	\$ 148,265	\$ 258,730	\$ 406,995	\$ 548,946

CITY OF MCBAIN, MICHIGAN
DOWNTOWN DEVELOPMENT AUTHORITY CONSTRUCTION FUND
COMPARATIVE BALANCE SHEET

APRIL 30,

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash	\$ 145,664	\$ 170,419
Receivables		
Property Taxes	2,223	504
Accrued Interest	8	13
Due from Tax Increment Finance Authority	2,120	2,120
Due from Primary Government	37	37
	<hr/>	<hr/>
TOTAL ASSETS	\$ 150,052	\$ 173,093
	<hr/>	<hr/>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Due to Other Governments	\$ 763	\$ 0
Deferred Revenue - Property Taxes	1,024	504
	<hr/>	<hr/>
Total Liabilities	\$ 1,787	\$ 504
	<hr/>	<hr/>
<u>FUND BALANCE</u>		
Unreserved		
Designated for New City Hall	\$ 71,900	\$ 71,900
Undesignated	76,365	100,689
	<hr/>	<hr/>
Total Fund Balance	\$ 148,265	\$ 172,589
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 150,052	\$ 173,093
	<hr/>	<hr/>

DOWNTOWN DEVELOPMENT AUTHORITY CONSTRUCTION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2004
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED APRIL 30, 2003

	2004		2003
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
Taxes			
Current Property Tax Levy	\$ 43,000	\$ 41,638	\$ 44,267
Delinquent Property Taxes	1,120	64	200
Interest and Rents			
Interest Income	2,000	597	1,275
Lease/Purchase Agreement Collections	0	0	13,849
Other Revenue			
Miscellaneous	1,000	0	0
Total Revenue	\$ 47,120	\$ 42,299	\$ 59,591
<u>EXPENDITURES</u>			
Downtown Development Authority			
Secretary/Treasurer	\$ 2,133	\$ 2,133	\$ 2,133
Legal Fees	3,000	48	2,623
General Administration Expenses	6,840	6,840	6,840
Contracted Administration Services	1,000	0	0
Insurance	1,900	1,784	1,687
Audit	900	775	0
Salt Shed	15,000	0	0
Sidewalk and Streetscape	15,000	0	0
Parking	40,000	32,628	963
Business Development	115,000	9,940	12,738
Miscellaneous	2,449	0	155
Debt Service			
Principal Payments	9,842	9,842	9,387
Interest Expense	2,633	2,633	3,089
Total Expenditures	\$ 215,697	\$ 66,623	\$ 39,615
Excess (Deficiency) of Revenues Over Expenditures	\$ (168,577)	\$ (24,324)	\$ 19,976
<u>FUND BALANCE - Beginning of Year</u>	168,578	172,589	152,613
<u>FUND BALANCE - End of Year</u>	\$ 1	\$ 148,265	\$ 172,589

CITY OF MCBAIN, MICHIGAN
TAX INCREMENT FINANCE AUTHORITY
COMPARATIVE BALANCE SHEET

APRIL 30,

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash	\$ 233,724	\$ 378,386
Receivables		
Property Taxes	25,777	9,809
Accrued Interest	22	28
Loans Receivable	757,668	766,711
Due from Primary Government	18,926	0
Due from Other Funds	0	63
 TOTAL ASSETS	 \$ 1,036,117	 \$ 1,154,997
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Due to Other Funds		
Downtown Development Authority	\$ 2,120	\$ 2,120
Deferred Revenue - Loans	757,668	766,711
Deferred Revenue - Property Taxes	17,599	9,809
 Total Liabilities	 \$ 777,387	 \$ 778,640
 <u>FUND BALANCE</u>		
Unreserved	258,730	376,357
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 1,036,117	 \$ 1,154,997

CITY OF MCBAIN, MICHIGAN

TAX INCREMENT FINANCE AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2004
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED APRIL 30, 2003

	2004		2003
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
Taxes			
Property Taxes	\$ 278,046	\$ 245,650	\$ 266,941
Interest and Rents			
Interest	8,000	1,507	3,467
Other Revenue			
Revolving Loan Payments	87,604	71,564	115,227
Miscellaneous	0	0	1,534
Total Revenue	\$ 373,650	\$ 318,721	\$ 387,169
<u>EXPENDITURES</u>			
Economic Development			
Salaries and Wages	\$ 4,267	\$ 4,267	\$ 4,267
General Administration Expenses	2,000	0	0
Contracted Administrative Services	54,720	54,720	54,720
Legal Fees	5,000	2,824	2,172
Independent Audit	1,000	825	4,275
Insurance	3,500	3,091	2,917
Taxes	15,000	12,889	5,652
Business Development			
Miscellaneous	121,000	13,131	3,124
Revolving Loan Fund	54,000	143,265	100,421
Industrial Park Maintenance	35,000	27,104	34,271
Equipment Purchase	49,500	2,806	0
Public Improvements	240,000	168,933	13,124
Power System Study	10,000	0	0
Technology Study	0	0	89,029
Incubator Building	90,000	0	0
Pumper Fire Truck	60,000	0	0

CITY OF MCBAIN, MICHIGAN

TAX INCREMENT FINANCE AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2004
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED APRIL 30, 2003

	2004		2003
	BUDGET	ACTUAL	ACTUAL
Telecommunications Service	13,000	0	0
Miscellaneous	889	795	21,017
Total Expenditures	\$ 758,876	\$ 434,650	\$ 334,989
Excess (Deficiency) of Revenues Over Expenditures	\$ (385,226)	\$ (115,929)	\$ 52,180
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In (Out) - Primary Government	6,840	(1,698)	(43,320)
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	\$ (378,386)	\$ (117,627)	\$ 8,860
<u>FUND BALANCE - Beginning of Year</u>	378,386	376,357	367,497
<u>FUND BALANCE - End of Year</u>	\$ 0	\$ 258,730	\$ 376,357

CITY OF MCBAIN, MICHIGAN
MISSAUKEE COUNTY SANITARY SEWER COLLECTION, TREATMENT AND
DISPOSAL SYSTEM (MCBAIN SYSTEM NO. 1) BONDS PAYABLE
APRIL 30, 2004

<u>TITLE OF ISSUE</u>	Missaukee County Sanitary Sewer Collection, Treatment and Disposal System (McBain System No. 1) Bonds
<u>DATE OF ISSUE</u>	December 18, 1978
<u>PURPOSE</u>	To defray part of the cost of acquiring and constructing a sanitary sewer collection, treatment and disposal system to serve the City of McBain
<u>PAYMENT</u>	Principal and interest are payable solely from monies to be received by the County of Missaukee from the City of McBain, pursuant to a contract dated March 1, 1978. For the making of such payments, the City of McBain has pledged its full faith and credit
<u>AMOUNT OF ISSUE</u>	\$ 340,000
<u>AMOUNT REDEEMED</u>	
Current Year	\$ 10,000
Prior Years	256,000
<u>OUTSTANDING BALANCE - April 30, 2004</u>	266,000 \$ 74,000

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>REQUIREMENTS</u>		
		<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
October 1, 2004			\$ 1,850	\$ 1,850
April 1, 2005	5.000%	\$ 10,000	1,850	11,850
October 1, 2005			1,600	1,600
April 1, 2006	5.000%	11,000	1,600	12,600
October 1, 2006			1,325	1,325
April 1, 2007	5.000%	11,000	1,325	12,325
October 1, 2007			1,050	1,050
April 1, 2008	5.000%	12,000	1,050	13,050
October 1, 2008			750	750
April 1, 2009	5.000%	12,000	750	12,750
October 1, 2009			450	450
April 1, 2010	5.000%	13,000	450	13,450
October 1, 2010			125	125
April 1, 2011	5.000%	5,000	125	5,125
		\$ 74,000	\$ 14,300	\$ 88,300

CITY OF MCBAIN, MICHIGAN

STATEMENT OF 2003 TAX ROLL

APRIL 30, 2004

	TAXABLE VALUATION	MILLS LEVIED	TAXES ASSESSED	LESS TAXES CAPTURED BY TIFA	LESS TAXES CAPTURED BY DDA	ADJUSTED LEVY	TAXES RETURNED DELINQUENT	TAXES COLLECTED
Missaukee County								
Operating	\$ 20,410,447	4.5572	\$ 93,014	\$ (48,977)	\$ (9,298)	\$ 34,739	\$ 2,920	\$ 31,819
Emergency Services	20,410,447	1.7017	34,731	(18,288)	(3,472)	12,971	1,090	11,881
Commission on Aging	20,410,447	0.4941	10,083	(5,310)	(1,008)	3,765	316	3,449
Library	20,410,447	0.2382	4,861	(2,560)	(486)	1,815	153	1,662
McBain Rural Agricultural School								
Operating	15,733,949	17.8524	280,889	0	0	280,889	17,384	263,505
Debt Retirement	20,410,447	5.4000	110,216	0	0	110,216	7,009	103,207
State Education Tax	20,410,447	5.0000	102,052	0	0	102,052	3,143	98,909
Wexford-Missaukee Intermediate								
School District	20,410,447	6.0003	122,468	0	0	122,468	7,788	114,680
City of McBain								
General Fund	20,410,447	12.4517	254,142	(133,820)	(25,404)	94,918	7,977	86,941
Sewer	15,376,647	1.5000	23,065	(10,116)	(2,554)	10,395	930	9,465
Tax Increment Finance Authority			0	219,071	0	219,071	11,591	207,480
Downtown Development Authority			0	0	42,222	42,222	1,783	40,439
Administration Fees			10,436	0	0	10,436	620	9,816
	\$ 1,045,957		\$ 0	\$ 0	\$ 0	\$ 1,045,957	\$ 62,704	\$ 983,253

CITY OF MCBAIN, MICHIGAN

STATEMENT OF 2003 INDUSTRIAL FACILITIES TAX ROLL - POST 1993
APRIL 30, 2004

	TAXABLE VALUATION	MILLS LEVIED	TAXES ASSESSED	LESS TAXES CAPTURED BY TIFA	ADJUSTED LEVY	TAXES RETURNED DELINQUENT	TAXES COLLECTED
Missaukee County							
Operating	\$ 3,638,400	2.2786	\$ 8,290	\$ (8,290)	\$ 0	\$ 0	\$ 0
Emergency Services	3,638,400	0.8509	3,096	(3,096)	0	0	0
Commission on Aging	3,638,400	0.2471	895	(895)	0	0	0
Library	3,638,400	0.1191	433	(433)	0	0	0
McBain Rural Agricultural School							
Operating (State Share)	3,638,400	8.9262	32,477	0	32,477	5,347	27,130
Debt Retirement	3,638,400	2.7000	9,824	0	9,824	1,617	8,207
State Education Tax	3,638,400	5.0000	18,192	0	18,192	433	17,759
Wexford-Missaukee Intermediate School District (State Share)	3,638,400	3.0002	10,916	0	10,916	1,797	9,119
City of McBain							
General Fund	3,638,400	6.2259	22,652	(22,652)	0	0	0
Sewer	800,900	0.7500	601	(601)	0	0	0
Tax Increment Finance Authority			0	35,967	35,967	5,975	29,992
Administration Fees			1,074	0	1,074	152	922
	\$ 108,450		\$ 0	\$ 0	\$ 108,450	\$ 15,321	\$ 93,129

M. WAYNE BEATTIE, C.P.A.
1902 - 1990
JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

May 20, 2004

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Mayor and City Council
City of McBain
McBain, Michigan

We have audited the financial statements of the City of McBain, Michigan, as of and for the year ended April 30, 2004, and have issued our report thereon dated May 20, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of McBain's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of McBain's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of McBain's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Letter of Reportable Conditions.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control structure over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described in the accompanying letter of reportable conditions is a material weakness.

This report is intended for the information of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

May 20, 2004

LETTER OF REPORTABLE CONDITIONS

To the Mayor and City Council
City of McBain, Michigan

In planning and performing our audit of the general-purpose financial statements of the City of McBain, Michigan for the year ended April 30, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general-purpose financial statements.

The relatively small number of people involved in the accounting functions of the City make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Council must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Council and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop P.C.

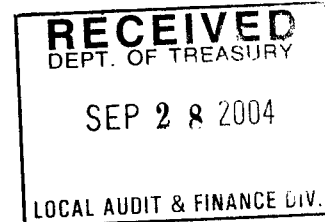
134 WEST HARRIS STREET
CADILLAC, MICHIGAN 49601
231-775-9789
FAX: 231-775-9749

M. WAYNE BEATTIE, C.P.A.
1902 - 1990
JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS



May 20, 2004

To the Mayor and City Council
City of McBain
McBain, Michigan

During the course of our audit of the financial statements of the City of McBain, Michigan, for the year ended April 30, 2004, we noted the following items which we would like to comment upon:

Condition of Records

We found the City's accounting records to be in very good order. We would like to commend the clerk and treasurer for their hard work and thank them for assisting us with conducting the audit.

Government Accounting Standards Board (GASB) Statement 34

GASB has issued Statement 34 which is a new accounting pronouncement. This new pronouncement will become effective for the City for its fiscal year ending April 30, 2005. The statement requires many changes to the format of the City's financial statements. In addition, it requires reporting on the cost and depreciation of all of the City's fixed assets, including infrastructure assets such as roads. A record of the miles of City roads and, if possible, the estimated date and cost of construction back to 1987 will be needed if the City elects to apply this change retroactively. The City has the option of only capitalizing road costs starting next year. This option is much easier to implement but has the effect of understating the net equity of the City because it omits the cost of the older roads. In determining what assets need to be accounted for, a "capitalization threshold" needs to be established. This threshold is typically \$1,000 to \$2,000 for smaller units of government. If the cost of an asset is less than the threshold, it does not need to be capitalized and depreciated.

The state has indicated that it will continue to accept audits without fixed asset data. However, such an omission will require an adverse auditor's opinion, which may affect the marketability of future bond issues. We are available to assist in accumulating the data needed to comply with GASB Statement 34.

Fire Truck Loan

To properly account for the purchase of the new fire truck, the loan proceeds and purchase of the truck should have been budgeted and recorded in the Fire Fund. In addition, payments that the townships made on the loan should have been budgeted and recorded in the Fire Fund. The City's financial statements reflect the loan proceeds, purchase and payments. However, reporting these

amounts caused the Fire Fund's expenditures to exceed its budget of \$75,564 by \$439,757. We recommend that the fire fund budget for 2004-2005 be amended to include all payments that will be made on the loan during the year.

We would like to thank the council for this opportunity to be of service. If there are any questions regarding these comments and recommendations, or any other accounting matters, please do not hesitate to call on us.

Very truly yours,

BAIRD, COTTER AND BISHOP, P.C.

By John F. Taylor, C.P.A.

JOHN F. TAYLOR, C.P.A.